GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:5278
ANSWERED ON:29.04.2005
IMPLICATIONS OF FDI HIKE
Mollah Shri Hannan

Will the Minister of FINANCE be pleased to state:

(a) the implication of allowing Foreign Direct Investment hike in Private Banks on the resource mobilization capabilities of the State Governments;

(b) whether the above proposal involves discrimination against Indian banks and foreign banks already operative in the country; and

(c) if so, the details thereof?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM):

(a) to (c) State Governments mobilize resources from the market through their market borrowing programme where investments are made by both banks and non-banks. Investment in government securities by Scheduled Commercial Banks has already been much in excess of the required SLR of 25%. There has been instances of under subscription of some of the issues by State Governments. However, this is on account of need for prudent fiscal management rather than effect of FDI flow. It is expected that finalisation and implementation of fiscal responsibility legislation at State level and implementation of recommendations of the Twelve Finance Commission will further improve the situation.